

Cyprus Introduces Registers of Beneficial Owners

April 2021

In accordance with the provisions of the EU's Prevention and Suppression of Money Laundering and Terrorist Financing Laws from 2007 to 2019 and following the revised provisions of the 5th Anti-Money Laundering EU Directive, EU member states are required to make registers of the beneficial owners of companies, trusts, foundations and other legal arrangements publicly accessible.

The 5th Anti-Money Laundering EU Directive was transposed into Cyprus law through the Prevention and Suppression of Money Laundering Activities Laws of 2017-2021 (the "Law") on 23 February 2021.

According to the Law, companies and any other legal entities incorporated in Cyprus must obtain and hold adequate, accurate and current information on their beneficial owners (BO), including details of the beneficial interests held.

What Is Meant By BO?

"Beneficial owner" means any natural person(s) who ultimately owns or controls the customer, and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least:

- In case of corporate entities, the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of 25% plus

one share, or an ownership interest of more than 25% held by a natural person shall be an indication of direct ownership

- In case of trusts:

- the settlor
- the trustee(s)
- the protector, if any
- the beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates
- any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means

- In the case of legal entities such as foundations and legal arrangements similar to trusts, the natural person(s) holding equivalent or similar positions to those referred to in the case of trusts (above)

Control via other means may include a shareholders' agreement, the exercise of dominant influence, influence through family links or other types of connection with decision-makers, the holding of negotiable shares or convertible stock, the power to appoint senior management or any other way.

How Many BO Registers Will Be Available and Who Will Be Keeping Them?

There will be three different BO registers in Cyprus:

- *Central Register of Beneficial Owners of Companies and Other Legal Entities*: data relating to companies incorporated or registered under the Companies Law Cap.113, European public limited liability companies and other legal entities, i.e., partnerships, to be kept by the Registrar of Companies
- *Trust Register*: data relating to trusts where the trustee is Cypriot or a permanent resident of Cyprus and trusts with third-country trustees when they establish a business relationship or acquire a property in Cyprus, to be kept by CySEC
- Data relating to associations and other legal arrangements will be kept by the Ministry of Internal Affairs

A central register of all bank accounts in Cyprus will be managed by the Central Bank of Cyprus.

All registers will be kept in electronic format only. Each separate register is responsible for the provision of guidelines as to how the relevant information will be kept and how it should be submitted.

So far, only the Registrar of Companies has issued specific guidelines and timeframes for information submission for its register. As of 16 March 2021, every company or legal entity established in Cyprus is obliged to maintain adequate information about its BOs and submit it to the register. Companies formed prior to 16 March 2021 have a six-month transition period to comply with the new requirements.

Central Register of Beneficial Owners of Companies and Other Legal Entities What Data Should Be Included in the Register?

The following information is required for each beneficial owner:

- Name and surname, date of birth, nationality and residential address
- Nature and extent of the beneficial interest held directly or indirectly by each BO, including percentage of shares, voting rights or the

nature and extent of the significant control or influence with other means exercised by each controlling person

- Identity card or passport, and country of issuance
- Date on which the natural person was entered in the register as BO
- Date on which there were changes in the particulars of the natural person or the date on which the natural person ceased to be a BO

In cases where no natural person can be identified as BO based on ownership rights or when there is doubt that the person identified is the BO, the details of the senior management officials of the company must be submitted, indicating whether the persons are directors in the company or whether they hold another position, by declaring that position.

If the BO is a trust or foundation or similar legal arrangement, the following information should be provided.

For trusts:

- Name of the trust
- Registration number (if any)
- Country of jurisdiction of the trust
- Nature and extent of the beneficial interest held directly or indirectly by the BO trust, including percentage of shares, voting rights, or the nature and extent of the significant control or influence with other means exercised by each controlling person
- Date on which the trust was entered in the register as BO
- Date on which there were changes in the particulars of the trust or the date on which the trust ceased to be a BO

For foundations or other similar legal arrangements:

- Name of the foundation
- Registration number (if any)
- Country of jurisdiction of the foundation
- Business address

- Nature and extent of the beneficial interest held directly or indirectly by the BO foundation, including percentage of shares, voting rights or the nature and extent of the significant influence or control with other means exercised by each controlling person
- Date on which the foundation or other legal arrangement was entered in the register as BO
- Date on which there were changes in the particulars of the foundation or legal arrangement or the date on which they ceased to be a BO

Who Will Have Access to the Register and to Which Data?

- Competent supervisory authorities, the Financial Intelligence Unit (FIU), the customs department, the police and the tax department will have unlimited access to the data in the register
- Obligated entities in the context of conducting due diligence and identification measures for the client will have access to the basic information (i.e., name, surname, nationality, country of residence, month and year of birth and type of ownership) after the submission of a fee
- All members of the general public also have access to the above mentioned basic information after the submission of a fee

During the six-month transition period, only competent supervisory authorities, the FIU, the customs department, the police and the tax department will have access to the data.

Are There Exemptions from the BO Reporting Obligations?

The BO reporting provisions do not apply to the following:

- Companies listed on a regulated market that is subject to disclosure requirements consistent with EU law
- Companies whose directors submitted an application for strike off prior to the commencement of the directive
- Companies whose liquidation has been enacted before the commencement of the directive
- Overseas companies

It should be stressed that all information to be included in the register will be protected by strict data protection regulations and will only be accessed if it is deemed appropriate, on a case-by-case basis.

When Should the Data Be Uploaded on the Register?

Entities formed before 16 March 2021 should upload their data to the register by 16 September 2021.

Entities formed on or after 16 March 2021 must submit relevant BO data within 30 days from the date of their registration.

Changes to BO information must be reported within 14 days from the date of the change or from the date the company was informed of such change.

How Long Will the Data Be Kept on the Register After a Company No Longer Exists?

Data will be kept for five (5) years after the company deregistration (liquidation, struck off, etc.). Data will be kept for five (5) additional years for the competent authorities only.

Who is Responsible for the Registration of the Information on the Register?

The directors, management and company secretary of a company are responsible for the submission of the information. BOs are required to provide relevant information on a timely basis.

Will There Be Penalties?

It is stressed that regardless of the criminal liability or prosecution of any person, fines and penalties may be imposed to entities and their officers in case of non-compliance. The penalty is €200 for the entity and each of its officers plus €100 for every day thereafter for which the default continues, with a maximum of €20,000 for each default. It must be noted that during the interim solution no penalties will be imposed.

Trust Register

No guidance is available at present for the Trust Register. The information below derives from the amended anti-money laundering legislation.

What Data Should Be Included in the Register?

Information related to all legal and physical persons who act as:

- the settlor
- the trustee(s)
- the protector, if any
- the beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates
- any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means

In the case of legal entities such as foundations and legal arrangements similar to trusts, the natural person(s) holding equivalent or similar positions to those referred above.

Which Trusts Should Be Registered?

Trusts where the trustee is Cypriot or a permanent resident of Cyprus (note that the obligation to be registered within the Trust Register in Cyprus can extend to trusts of any jurisdiction/proper law) and trusts with third-country trustees when they establish a business relation or acquire a property in Cyprus.

Who Will Have Access to the Register?

- Competent supervisory authorities, the FIU, the customs department, the police and the tax department, upon request to the registrar of companies
- Obligated entities in the context of conducting due diligence and identification measures for the client will have access to the basic information (i.e., name, surname, nationality, country of residence, month and year of birth and type of ownership) after the submission of a fee
- Persons with a legitimate interest, upon registration and approval by CySEC, will have access to the above mentioned basic data only

Note: Legitimate interest is demonstrated when the natural or legal person proves that the interest

relates exclusively and contributes to the prevention of money laundering and terrorist financing. It is decided by CySEC on a case-by-case basis.

How Long Will the Data Be Kept on the Register?

It is anticipated this will be the same as for the company register.

How Trident Trust Can Help You

- Registration to the relevant system which is pre-requisite to the submission of the data (AriadniPortal)
- Collection and submission of all relevant information to the system on your behalf
- Ongoing compliance support to keep the data provided to the relevant BO register correct and up-to-date

For further assistance please do not hesitate to contact your client relationship officer or our Cyprus office.

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